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**FTAA – COMMITTEE OF GOVERNMENT REPRESENTATIVES ON THE PARTICIPATION OF CIVIL
SOCIETY**

COVER SHEET

To the Chair of the Committee of Government Representatives on the Participation of Civil Society c/o the
Tripartite Committee (Re: Civil Society)

Economic Commission for Latin America and the Caribbean (ECLAC)

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Executive summary

From the perspective of ecological economics, more trade principally means the capacity of the importing countries to use natural resources and generate waste that their own natural capacity is unable to produce or absorb.

At the present time, Chile is a major exporter of commodities and this has not varied in 30 years of free trade. Chile is not producing greater value added in the basic product, which still accounts for nearly 50% of exports.

With regard to unemployment, the most dynamic export-oriented sectors in our economy are not those that create most jobs. Total employment in these sectors accounts for only 1.6% of total employment in Chile. Mining accounts for only 2% of total jobs. The same situation is repeated in the forestry sector, where there was an impressive export growth of 130% between 1987 and 1994, while employment in this sector has dropped to 7%.

Another related issue is wage levels. I am convinced that the Chilean economy's orientation towards the export sector is responsible for the wage level not improving in the country. Wage distribution is worsening and companies' earnings are increasing, while wages account for an increasingly smaller share of those earnings. But this is unimportant because the demand for the products that Chile produces is not domestic, but foreign. Wage increases and greater demand have not occurred within Chile, because the demand is outside the country.

However, French Davis indicates that exports are also important in Chile and only generate 23% of the value added. But investors are attracted to the services sector, which, in turn, is aimed at the external market, but not at strengthening the nation's industry.

In conclusion, it is proposed that negotiations for the Free Trade Area of the Americas include tariff safeguards to protect national industry and prevent unfair competition in natural resources and sensitive areas such as agriculture.